CPP ANNUAL USE OF CAPITAL SURVEY - 2010

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Popular, Inc.

Point of Contact:	José A. Méndez	RSSD: (For Bank Holding Companies)	1129382
UST Sequence Number:	117	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	935,000,000	FDIC Certificate Number: (For Depository Institutions)	
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	December 05, 2008	City:	San Juan
Date Repaid[1]:	N/A	State:	Puerto Rico

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

X **Increase lending or reduce lending less than otherwise would have occurred.**

See comments on the 3rd. page under the caption "Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds."

☐ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

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☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

☐ **Increase reserves for non-performing assets.**

☐ **Reduce borrowings.**

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☐ **Increase charge-offs.**

☒ **Purchase another financial institution or purchase assets from another financial institution.**

See comments on the 3rd. page under the caption "Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds."

☐ **Held as non-leveraged increase to total capital.**

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The funds received under the TARP's Capital Purchase Program during December 2008 gave us the opportunity to raise capital quickly and improve our liquidity position, at low cost, with limited shareholder dilution, at a time when the unprecedented market instability made it difficult for us to raise capital. We have used proceeds from the TARP, together with other available moneys, to make capital contributions and loans to our banking subsidiaries to ensure they remain well-capitalized, and strengthen their ability to continue creditworthy lending in our home markets. The economy in Puerto Rico remained under pressure during 2010 as evidenced, for example, by high unemployment levels (15% as of December 2010), as well as housing process also under pressure due to excess inventory. Several actions have been taken by the local government, including a tax reform that provides over $1 billion annually in tax-relief for low-income tax payers and reduces maximum corporate tax rates from 41% to 30%, funded by the temporary excise tax of 4% on certain manufacturing operations. Even though the local economy remains sluggish and unemployment was 16% at March 2011, there have been some recent positive signs, including upgrades on PR's general obligations, several public-private infrastructure partnerships, and incentives to reduce to some extent the excessive housing inventory. During 2010, Popular completed several additional transactions to further strengthen our capital levels and ratios. During the second quarter, we completed a capital issuance of $1.15 billion through the sale and subsequent conversion into common stock of depositary shares representing interests in shares of contingent convertible perpetual non-cumulative preferred stock. This transaction strengthened Popular's capital base and facilitated our participation in an FDIC-assisted transaction. In addition, we agreed with our regulators that, if we were a successful bidder for a failed depository institution in an FDIC-assisted transaction, we would raise additional capital. During the 3rd quarter, Popular completed the sale of a 51% interest in EVERTEC, that resulted in a net gain after taxes and transaction costs of approximately $530 million. This gain, together with the $1.15 billion capital raise, resulted in approximately $1.6 billion in additional Tier 1 capital, meeting the capital requirement agreed to with our regulators in order for us to participate and complete the Westernbank FDIC-assisted transaction. Popular returned to profitability during the first quarter of 2011 (representing Popular's first profitable quarter since 2008) and start generating capital internally. However, we remain cautiously optimistic and continue monitoring closely our credit portfolios and metrics, as well as our overall business strategies.